



## All About Money on Tuesdays

Posted by **Pierluigi Oliverio** on Monday, October 26, 2009

A variety of issues were discussed at last week's council meeting that dealt with city finances. Jennifer Maguire, the Director of our Budget Office, shared that the ending fund balance this year is 1.3 percent. The city has always had an ending fund balance for as long as anyone can remember.

It is both a science and an art trying to guess how variable revenue sources such as sales taxes will end up. The goal is to be conservative so we have a little left over to put in our Economic Uncertainty Reserve. This reserve acts as our savings account.

The money in the reserve is not earmarked for any specific purpose. One never knows when the state of California might take more revenue from the city; therefore, it is important to have money saved "just in case."

To give you a little flavor of how bad the some our revenue numbers are: Sales Tax was down 14.5 percent in 2008-2009.

The last two quarters of 2008-2009, Sales Tax dropped by 29.3 percent and 28.2 percent.

TOT (hotel tax) was down 19 percent in 2008-2009.

Construction & Conveyance was down 24 percent in 2008-2009 (down 36 percent in 2007-2008).

After these facts were stated at the council meeting, a paid lobbyist from the union spoke during public comment and lambasted the council for carrying a 1.3 percent ending fund balance. It appears that this person wanted the city to spend all of it's money and not save any.

As way of background regarding our past surpluses, from 1989-2009, on average we have ended in the black each year with a surplus of 1.8 percent. The highest year was in 2000-01 where we ended with a surplus of 5.6 percent. (There was a huge growth in sales tax that year which contributed to the high number..incidentally, that was when the city used some of the extra money to first establish the Economic Uncertainty Reserve).

The paid union lobbyist that spoke actually worked for the city during the Mayor Hammer years (1989-1996). The average surplus during the Hammer years was 1.3 percent, with a surplus as high as 2.4 percent.

Personally, I don't think it is prudent to spend every last dollar of the city's finances; just as I have my own personal savings account, so should the city.

The issue of outsourcing some city services was also discussed. As usual, the council voted down any chance of outsourcing, which is a subject that comes up again and again. I support some outsourcing of non-core city services. I would take the savings that the city would have from outsourcing and either shore up the budget or preferably provide more core services—such as police and libraries—to the residents.

Outsourcing may not equate to laying people off, rather, the current employees might remain. We have attrition at the city, and some city employees could supervise the contractors work. A simple fact is that the city saves \$1.2 million a year from having outsourced janitorial for the city hall night shift. With savings like \$1.2 million we could either open all branch libraries citywide on Sundays or Mondays or hire 10 police officers. We are simply reallocating money to what we feel is most important, as you do every day.

The debate will continue as the city will be looking at hundreds of layoffs in June of filled positions to balance the \$91 million budget deficit.

Another agenda item was the city's love-hate relationship with our two legal card clubs. These two businesses combined bring the city \$13.5 million a year which is half of the citywide library budget. The clubs were looking to move out of San Jose since San Jose's regulations are tougher than state law. As a result, the council voted to allow fewer restrictions—but still more restrictions than the state requires.

No matter what your view on gambling is, it brings our city a substantial amount of money. People who choose to partake in these activities can do so in San Jose or they may choose to gamble by logging onto the internet. However if everyone chose to gamble on the internet the city would have to cut \$13.5 million out of the budget or raise taxes.

Finally, last week's vote on not exposing police records saved us from cutting city services to the residents. Had that passed it would have created a massive burden on police and the city attorney's office. We would have had to devote resources to manage the deluge of requests which would mean taking police off the street and attorneys off of litigation which are both core services.

If we really want sunshine then let's make all labor negotiations public meetings. Public meetings would shed light on our city finances and save an incredible amount of time/frustration going back and forth.

On any given Tuesday we could save money, spend money or break even which is essentially do no harm.

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